

MAR 08 2019

SENATE CONCURRENT RESOLUTION

REQUESTING THE DIRECTOR OF TAXATION TO CONVENE A TASK FORCE TO
CONSIDER WORLDWIDE COMBINED REPORTING OF CORPORATE INCOME.

1 WHEREAS, in the last twenty years, there has been an
2 increase in on-line sales and a decline in sales at physical
3 brick and mortar stores; and
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5 WHEREAS, it is in the State's interest to achieve parity in
6 corporate income tax assessment from all vendors, regardless of
7 whether the sale is on-line or in a physical location; and
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9 WHEREAS, changes in corporate business models over the past
10 twenty years have impacted tax collections and tax laws have not
11 kept pace with the evolution of business practices; and
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13 WHEREAS, some large corporations that maintain a physical
14 presence in Hawaii sell goods and services in the State, but
15 reduce their tax exposure on those sales by shifting income to
16 offshore subsidiaries and, thereby, put smaller companies who
17 are entirely domestic at an unfair disadvantage; and
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19 WHEREAS, a January 2019 report, authored by the Institute
20 on Taxation and Economic Policy and the U.S. PIRG Education
21 Fund, entitled " A Simple Fix for a \$17 Billion Loophole: How
22 States Can Reclaim Revenue Lost to Tax Havens," estimates that
23 Hawaii is losing \$38,000,000 annually by not updating tax laws
24 to mandate worldwide combined reporting of corporate income, as
25 opposed to the current combined reporting standards; and
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27 WHEREAS, the authors of the January 2019 report recommend
28 that states amend tax statutes to require worldwide reporting of
29 income so that profits shifted to a "tax haven" are not exempted
30 by virtue of being outside of the United States; and
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32 WHEREAS, corporations that sell goods in Hawaii are
33 expected to contribute to the tax base, regardless of the size



1 of the corporation or where its profits are located, because
2 corporations benefit from tax dollars spent on regulated
3 markets, enforcement of laws, and the general public welfare;
4 and
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6 WHEREAS, more than half of all states have passed
7 legislation to increase corporate tax fairness and to close tax
8 loopholes; now, therefore,
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10 BE IT RESOLVED by the Senate of the Thirtieth Legislature
11 of the State of Hawaii, Regular Session of 2019, the House of
12 Representatives concurring, that the Director of Taxation is
13 requested to convene a task force to determine if worldwide
14 combined reporting, also known as "complete reporting," would be
15 a more fair and effective form of calculating corporate
16 taxation; and
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18 BE IT FURTHER RESOLVED that the task force is also
19 requested to compare worldwide combined reporting to other
20 methods, such as a tax haven list approach, to evaluate whether
21 either method would be suitable for Hawaii; and
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23 BE IT FURTHER RESOLVED that, in comparing the various
24 methods of calculating corporate income tax, the task force is
25 requested to evaluate each approach for:
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- 27 (1) The cost of administration and auditing;
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- 29 (2) The burden of the requirements to corporations of
30 different sizes;
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- 32 (3) The expected increase in tax revenue; and
- 33
- 34 (4) Other criteria deemed important for decision making;
35 and
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37 BE IT FURTHER RESOLVED that the task force is requested to
38 determine:
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- 40 (1) Which policy suggestions made in the January 2019
41 report of the Institute on Taxation and Economic
42 Policy would be appropriate for the State; and



- 1
2 (2) Other proposals to address the evolution of corporate
3 business models; and
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5 BE IT FURTHER RESOLVED that the task force is requested to
6 include:
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- 8 (1) The Director of Taxation, or the Director's designee,
9 who shall serve as chairperson of the task force;
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11 (2) The President of the Senate, or the President's
12 designee;
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14 (3) The Speaker of the House of Representatives, or the
15 Speaker's designee;
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17 (4) The Chief State Economist of the Research and Economic
18 Analysis Division of the Department of Business,
19 Economic Development, and Tourism, or the Chief State
20 Economist's designee;
21
22 (5) One economist appointed by the Governor from a list of
23 no more than three nominees submitted by the
24 University of Hawaii; and
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26 (6) A member of the Tax Foundation of Hawaii, to be
27 invited by the Chairperson of the Task Force.
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29 BE IT FURTHER RESOLVED that the task force is requested to
30 submit a report of its findings and recommendations, including
31 any proposed legislation, to the Legislature no later than
32 twenty days prior to the convening of the Regular Session of
33 2020; and
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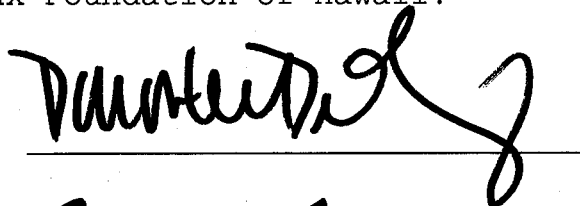

35 BE IT FURTHER RESOLVED that certified copies of this
36 Concurrent Resolution be transmitted to the Governor; President
37 of the Senate; Speaker of the House of Representatives; Director
38 of Business, Economic Development, and Tourism; Director of




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1 Taxation; Chairperson of the Board of Regents of the University
2 of Hawaii; and President of the Tax Foundation of Hawaii.

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5 OFFERED BY:


Clarence K. Iwaki

